

## Format for Quarterly and Final Completion Reports for COMPETE Grants

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Organization's Contact Person:	Dora Waruiru
P F Tracking Number:	TSA-STA-010-017
Title of Activity:	Scaling Up Kenyan Fair Trade Macadamia Exports
Start Date of Reporting Period:	July 1, 2010
End Date of Report:	Sept 30, 2010
Date Report Submitted:	October 15, 2010

Narrative reports must contain, as a minimum, the following:

- A comparison of actual accomplishments with the goals and objectives established for the period. Particular achievements and obstacles to the success of the project should be reported in specific terms.

	Goal	Achieved to date
1	Relocate and improve plant equipment to achieve full food grade processing capacity as verified by the Kenyan Bureau of Standards.	KEBS certification achieved for first product shipped to US customer on 17 August 2010.
2	Increase plant capacity to allow processing of 100 tons/season (two seasons)	Plant capacity improvements have not achieved the desired targets. Currently the capacity has dropped to approximately 300 kg./day, mainly due to inadequate drying capacity.
3	Purchase 200 tons of macadamia from Meru and Taita growers associations, at a value of 6 million Ksh (Fair trade minimum price of 30 Ksh/kg).	So far in the 2010 season, we have purchased 34,163 kg from Taita, and 1700 kg from Meru. These purchases were at an average price of 40 Ksh/kg in Taita, and 48 Ksh/kg in Meru. Other nuts were purchased from Sagana, Murang'a districts.
4	Provide 1 million Ksh in social premiums for investment in community projects to the Meru/Chogoria and Taita grower associations (social premium of 5 Ksh/kg)	Social premium payments of 5 Ksh/kg for Taita have been set aside, pending the successful completion of their fair trade audit (first week of July, 2010). This brings a total thus far of 170,815 Ksh in social premium funds for investment into the Taita community (5 Ksh/kg for 34,163 kg). Social Premium payments for the

		Meru community will be set aside in 2011, as they have not started the fair trade audit process yet.
5	Provide 1 million Ksh in fees to the associations for the collection and storage of macadamia on behalf of TSA.	Thus far, a total of Ksh 105,905 has been provided to the Taita grower association for collection and storage of macadamia, and Ksh 5100 to the Meru association for the same. These payments are ongoing, based on the volumes of nuts collected.
	Achieve Fair Trade certification (FLO advanced, introductory already obtained) and organic certification for macadamia for the two farmer's associations	<p>The Taita grower association (WAMATTA) was audited during the period July 5-9, 2010. The audit was largely successful. The only non-compliance issues were the need to hold new elections (done in August, 2010) and the need to bring the environmental documentation more in line with NEMA formats. This has been done and the FLO certificate should be awarded shortly.</p> <p>The Organic audit for WAMATTA Took place July 12-17, 2010. This resulted in 80% of the product being compliant to Organic standards, and we are currently discussing with the auditor about the possibility to provide a practical compliance certificate for the 2010 season.</p> <p>Both audits for the Meru association (Macadamia Farmer's Self Help Project) will be prepared for from September 2010 to February, 2011, and will be carried out in March or April of 2011.</p>
7	Provide technical assistance to the growers in Meru and Taita that will result in a decrease in rejection rate and an increased yield of (to 25% of finished product as volume of nuts purchased)	Beginning in November (postponed from September), an agronomist will be employed full time to work with the growers to achieve crop improvements in advance of the 2011 season. At that time the yield improvements will be able to be measured.
8	Provide technical assistance to the grower associations in Meru and Taita that will result in increased ability to manage their association for the benefit of the members.	Much of the focus in this area was to ensure that transparent elections were held in WAMATTA at the end of August. This was done, with an adequate voter turn out and a successful outcome.
9	Export 50 MT of processed nuts, of which at least 30 tons to the US market. This represents a sales goal of \$240 000 or 17 million Ksh (40 000 kg @ \$6/kg)	The first export from the 2010 harvest was shipped on August 17 to the American Nut Company in California. A second shipment was made at the beginning of September to the Encinger Nut Company in Slovakia. Further shipments will be made during October, November and December.
10	Extend the partnership agreement to one additional grower's group, with at least 500 members	Initial discussions have begun with a potential grower group in Murang'a. The goal is to form an association in advance of the 2011 growing season.
11	Create stable employment for at least 35 staff in the Nairobi factory	Currently, the factory has 60 workers in two shifts, of which 5 are permanent positions, and

		the rest casual positions.
12	Create a social enterprise which will model corporate social responsibility in Kenya. The TSA board is committed to provide financial and in-kind support to an orphanage in the Kawangware slum in Nairobi.	There has been no progress toward this goal at this time.

- An evaluation or analysis of the degree to which the grant activities are achieving the project objectives. Reasons why established goals were not met if appropriate.

The company is making steady progress, though slower than anticipated. We have struggled to source adequate NIS (nuts in shell) due to our late entry into the season (caused by a delay in pre-harvest finance.) On the organic and FLO certification side, good progress has been made, particularly in Taita. It is moving slower in Meru, largely due to weak leadership at the local level. Sales and marketing are the strongest aspect of the business, though this has needed to be curtailed due to the slower production.

- Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

At this point the only cost overruns are Trade Fair participation (\$363 remaining) and the Organic Audit (overspend of \$690). Most significant is the latter, as the auditor needed to add more than expected time to complete the audit. As noted, this audit will likely need to be repeated again next year and other financial sources will need to be located to complete this. The low amount remaining in the trade fair participation budget line is not significant, as we are finding that we are able to market and sell the product without trade fair participation.

- A minimum of five copies of any publication funded under the grant, including books, brochures, newsletters, bulletins, video cassettes; and single copies of all other products such as newspaper clippings, project announcements, and audited financial statements.

Not applicable for this reporting period